

**DAGGETT COUNTY ROADS & TRANSPORTATION**

**SPECIAL SERVICE DISTRICT**

**(A COMPONENT UNIT OF DAGGETT COUNTY)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

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SPECIAL SERVICE DISTRICT  
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FOR THE YEAR ENDED DECEMBER 31, 2006**

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## MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Daggett County Roads & Transportation  
Special Service District  
Manila, Utah 84046

We have audited the accompanying financial statements of the governmental activities and each major fund of Daggett County Roads & Transportation Special Service District (a component unit of Daggett County), as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Daggett County Roads & Transportation Special Service District's management. Our responsibility is to express opinions on these financial statements based on our audit.

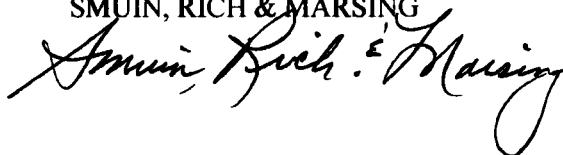
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Daggett County Roads & Transportation Special Service District as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management, Discussion and Analysis on pages 3 through 8 and budgetary comparison information on pages 24 and 25, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2007 on our consideration of Daggett County Roads & Transportation Special Service District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Armin Rich & Marsing", written over the printed firm name.

Price, Utah

June 29, 2007

**DAGGETT COUNTY ROADS & TRANSPORTATION  
SPECIAL SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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Our discussion and analysis of Daggett County Roads & Transportation Special Service District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2006.

The purpose of the District is to provide central management, operational control, funding and fiscal responsibility for the construction, operation and management of road and transportation projects, and other related services within the District's boundaries.

**Financial Highlights**

- ❖ The District's net assets increased \$526,333 as a result of this year's operations. Net assets of our governmental activities (the only activity the District has) increased by 37.47%.
- ❖ Total program expenses of \$21,621, were not offset by any direct revenues for these services.
- ❖ Mineral lease revenue for the year ended December 31, 2006 was \$446,069. This was an increase of \$105,733 from the year ended December 31, 2005.
- ❖ Payment in lieu of taxes and interest income for the year ended December 31, 2006 was \$27,026 and \$74,604 respectively. Payment in lieu of taxes increased \$806 whereas interest increased \$31,892 over the previous year.
- ❖ The Special Revenue fund balance increased \$85,131 for the year ended December 31, 2006.
- ❖ The Capital Projects fund balance increased by \$451,834 for the year ended December 31, 2006.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

## **Government-Wide Financial Statements (Continued)**

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include highways and public improvements.

Refer to the table of contents for the location of the government-wide financial statements.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

## **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on the balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, and the capital projects fund all of which are considered to be major funds.

The District adopts an annual appropriated budget for all its governmental funds. Budgetary comparison statements have been provided for the general fund and the special revenue fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

## **Proprietary Funds**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District does not have any proprietary funds.

## Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District does not hold any funds or property in a trustee capacity. Consequently, the District does not have any fiduciary funds.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are an essential part of the basic financial statements.

## Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$2,006,452 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets \$1,457,007 (72.62 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$549,445) may be used to meet the government's on going obligations to its citizens and creditors.

At the end of the year, the District is able to report positive balances in both the restricted and unrestricted net assets, both for the government as a whole, as well as for its separate governmental activities.

**Table 1**  
**Net Assets**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2006</b>	<b>2005</b>
Current and other assets	\$ 2,006,452	\$ 1,404,595
Total assets	\$ 2,006,452	\$ 1,404,595
Total liabilities	\$ ...	\$ ...
Net assets:		
Restricted for:		
Capital projects	\$ 533,171	\$ 1,074,039
Special Revenue	923,836	
Unrestricted	549,445	330,556
Total net assets	\$ 2,006,452	\$ 1,404,595

## Government-Wide Financial Analysis (Continued)

Net Assets of the District are \$2,006,452, an increase of \$526,333 from the prior year. *Unrestricted* net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, is \$549,445 at the end of the year. *Restricted* net assets, the part of net assets that has been restricted for capital improvements, is \$1,457,007.

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities</b>	<b>Governmental Activities</b>
	<b>2006</b>	<b>2005</b>
<b>Revenues</b>		
General Revenues:		
Mineral Lease revenue	\$ 446,069	\$ 340,336
Payment in Lieu of Taxes	27,026	26,220
Investment earnings	74,604	42,712
Miscellaneous	255	
Total revenues	<u>\$ 547,954</u>	<u>\$ 409,268</u>
<b>Program Expenses</b>		
Highways and public improve.	\$ 9,046	\$ 7,454
Capital outlay	12,575	140,225
Contributions to other governments		133,431
Total expenses	<u>\$ 21,621</u>	<u>\$ 281,110</u>
Change in net assets	<u>\$ 526,333</u>	<u>\$ 128,158</u>
Net Assets - beginning	\$ (1,404,595)	\$ (1,226,773)
Prior period adjustment	(75,524)	(49,664)
Net Assets - ending	<u>2,006,452</u>	<u>1,404,595</u>
Change in net assets	<u>\$ 526,333</u>	<u>\$ 128,158</u>

## **Government-Wide Financial Analysis (Continued)**

Mineral lease funds for the District, which are the major revenue source, increased \$105,733, a 31.07 percent increase. Total expenses using these funds decreased \$259,489, a decrease of 92.31 percent. Payment in lieu of taxes increased \$806, a minimal amount. Interest income increased \$31,892, an increase of 74.67 percent.

The largest source of funds (Mineral lease revenue) enables the District to fund a variety of road and transportation improvement projects. Because of the increase in these funds, the District has taken the opportunity to fund projects in the current and upcoming year that would have been postponed for future funding.

The cost of all governmental activities this year was \$21,621. As shown in the Statement of Activities on page 10, Mineral Lease revenue paid for all of these activities. Overall, the District did not have any governmental program revenues and relies heavily on mineral lease funds to administer the operations of the District.

Costs of the District's are centered within a few programs—Highways and public improvements and Capital outlay (projects). The net cost of expenditures (over) specific program revenues shows the financial burden that utilizes the Mineral lease funds, Payment in lieu of taxes and interest income.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revised their general fund budget once. The original budget was adopted on December 8, 2005 and was amended on December 28, 2006. The general fund budget was amended from the original budget amount of \$46,000 to \$40,026. The budget change was to account for reallocation of interest revenue received during the year.

The actual charges for expenditures and transfers were \$29,046. This was \$46 above the final budget amount.

Resources for revenues were \$40,387. This was \$361 above the final budgeted amount.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of December 31, 2006, the District did not have any amounts invested in Capital Assets. The December 31, 2007 budget does not call for any capital asset purchases that will be owned by the District.

#### **Long-term debt**

As of December 31, 2006, the District did not have any bonds or notes payable outstanding. The District anticipates a new debt issue for work on Browns Park Road during 2007.

### **Economic Forecast and Future Budget**

The District's operational goals for future years is to continue to strive to use the allotted funds in the best interest of the District and those who are served by the District's operations. As revenues increase, the funds will be used to make necessary road and transportation improvements, and purchase supplies and equipment that are appropriate and beneficial.

The District relies almost totally on mineral lease money and payment in lieu of taxes for revenues. The future appears to be stable with respect to the receipt of these funds. There does not appear to be any activity in the economy of Daggett County, which would greatly affect the increase, or decrease of revenues to the District. Although, the County is the governmental entity that controls how mineral lease money will be allocated within the County.

### **Contacting The District's Financial Management**

This financial report is designed to provide our community with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Secretary, Vickie McKee at P.O. Box 293, Manila, Utah 84046.

**DAGGETT COUNTY ROADS & TRANSPORTATION**  
**SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF DAGGETT COUNTY)**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2006**

	<u>GOVERNMENTAL ACTIVITIES</u>
 <b><u>ASSETS</u></b>	
Cash	\$ 26,644
Investments	522,801
Investments restricted	1,267,505
Due from other governments	189,502
	<hr/>
Total assets	\$ 2,006,452
	<hr/>
 <b><u>NET ASSETS</u></b>	
Restricted for:	
Capital projects	\$ 533,171
Special Revenue	923,836
Unrestricted	549,445
	<hr/>
Total net assets	\$ 2,006,452
	<hr/>

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION  
SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF DAGGETT COUNTY)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b><u>FUNCTION/PROGRAMS</u></b>					
<b>Primary Government:</b>					
Governmental activities:					
Highway & public improvement	\$ 9,046				\$ (9,046)
Capital outlay	12,575				(12,575)
Total governmental activities	\$ 21,621	\$ ...	\$ ...	\$ ...	\$ (21,621)
General Revenues:					
Mineral lease					\$ 446,069
Payment in lieu of taxes					27,026
Investment earnings					74,604
Miscellaneous					255
Total general revenues, special items, and transfers					\$ 547,954
Change in net assets					\$ 526,333
Net assets - beginning					1,404,595
Prior period adjustment					75,524
Net assets - ending					\$ 2,006,452

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION  
SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF DAGGETT COUNTY)  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	GENERAL FUND	SPECIAL REVENUE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>				
Cash	\$ 11,341	\$ 15,303		\$ 26,644
Investments		47,361	\$ 475,440	522,801
Investments restricted		734,334	533,171	1,267,505
Due from other governments		92,128		92,128
Total assets	<u>\$ 11,341</u>	<u>\$ 889,126</u>	<u>\$ 1,008,611</u>	<u>\$ 1,909,078</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES:</b>				
<b>FUND BALANCES:</b>				
Reserved for:				
Capital projects fund			\$ 533,171	\$ 533,171
Special revenue fund		\$ 826,462		826,462
Unreserved, reported in:				
General fund	\$ 11,341			11,341
Capital projects fund			475,440	475,440
Special revenue fund		62,664		62,664
Total fund balances	<u>\$ 11,341</u>	<u>\$ 889,126</u>	<u>\$ 1,008,611</u>	<u>\$ 1,909,078</u>
Total liabilities and fund balances	<u>\$ 11,341</u>	<u>\$ 889,126</u>	<u>\$ 1,008,611</u>	<u>\$ 1,909,078</u>

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION  
SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF DAGGETT COUNTY)  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

Total fund balances - governmental fund types:	\$ 1,909,078
Accrual of mineral lease money for the fourth quarter 2006 received in subsequent year.	<u>97,374</u>
Net assets of governmental activities	<u><u>\$ 2,006,452</u></u>

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION**  
**SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF DAGGETT COUNTY)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUND DECEMBER 31, 2006
REVENUES:				
Mineral lease		\$ 468,042		\$ 468,042
Payment in lieu of taxes	\$ 27,026			27,026
Miscellaneous revenue	255			255
Interest revenue	13,106	35,589	\$ 25,909	74,604
Total revenues	\$ 40,387	\$ 503,631	\$ 25,909	\$ 569,927
EXPENDITURES:				
Current -				
Highway and public improvements	\$ 9,046			\$ 9,046
Capital outlay			\$ 12,575	12,575
Total expenditures	\$ 9,046	\$ ...	\$ 12,575	\$ 21,621
Excess of revenue over (under) expenditures	\$ 31,341	\$ 503,631	\$ 13,334	\$ 548,306
OTHER FINANCING SOURCES (USES):				
Operating transfers in			\$ 438,500	\$ 438,500
Operating transfers out	\$ (20,000)	\$ (418,500)		(438,500)
Total other financing sources (uses)	\$ (20,000)	\$ (418,500)	\$ 438,500	\$ ...
Excess of revenues and other sources over (under) expenditures and other uses	\$ 11,341	\$ 85,131	\$ 451,834	\$ 548,306
FUND BALANCE, January 1,		803,995	556,777	1,360,772
FUND BALANCE, December 31,	\$ 11,341	\$ 889,126	\$ 1,008,611	\$ 1,909,078

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION**  
**SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF DAGGETT COUNTY)**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 548,306
Difference between timing of mineral lease revenue received. Net of revenue recorded in 2006, which pertained to a prior year and accrual of mineral lease revenue at the end of 2006.	(21,973)
	<hr/>
Change in net assets of governmental activities	\$ 526,333
	<hr/>

"The accompanying notes are an integral part of this statement."

**DAGGETT COUNTY ROADS & TRANSPORTATION SPECIAL SERVICE DISTRICT  
(A COMPONENT OF DAGGETT COUNTY)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**

The financial statements of Daggett County Roads & Transportation Special Service District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**A. Reporting Entity**

Daggett County Roads & Transportation Special Service District was created by resolution of the Daggett County Commissioners according to the provisions of Title 17A, Chapter 2, Part 13, Utah Code Annotated as amended. The District was established to provide central management, operational control, funding and fiscal responsibility for the construction, operation and management of transportation projects and other related services. A Board of Directors appointed by the Daggett County Commissioners governs the District. The Board of Directors has all powers and duties in the operation of the District which are delegated to it by the Daggett County Commissioners, including: the power of eminent domain, the power to enter into contracts, selection of its domicile, setting of meeting times, adoption of regulations and bylaws for its operations, and the adoption of budgets.

The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of financial accountability by the District Board. In addition to financial accountability, consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. There are no other entities, boards, or agencies that are required to be included in the District's financial statements. However, the District is considered a "Component Unit of Daggett County" since the District meets the criteria set forth in the Governmental Accounting Standards Board statement Number 14, "The Financial Reporting Entity," regarding component units.

**B. Government-Wide Financial Statements**

The government-wide financial statements consist of the statement of net assets and the statement of activities. For the most part, the effect of inter-fund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

**B. Government-Wide Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Therefore, revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred, if measurable. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period when revenues can be used to pay accrued expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

**General Fund** - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Special Revenue Fund – The Special Revenue Fund is used to account for the operations that have been restricted to specific programs or projects. Pursuant to the 1994 Revenue Bond Resolution to accumulate funds needed for debt service payments, the District created a special revenue fund to account for mineral lease funds pledged to make these payments. The District indicated that when debt had been paid off, a transfer of the entire fund balance into the capital projects fund in 2006 would be made. The District did not transfer these funds. A loan and grant for work on Brown's Park Road is being received from the PCIB. The district will continue to accumulate funds for the new debt service payments from mineral lease funds in the Special Revenue Fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

D. **Capital Assets**

The District has no Capital Assets.

E. **Budgeting**

The system of budgeting used by the District complies primarily with the procedures outlined in the "State of Utah Uniform Accounting Manual for Special Districts," which is in accordance with generally accepted accounting principles. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at year-end.

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. The District adopts a formal budget.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance – that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Secretary prepares a tentative budget and files it with the Board of Directors.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

E. **Budgeting (Continued)**

5. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Directors.
7. The Board of Directors considers the comments made by the public and makes final adjustments to the budget.
8. By December 31, the Board of Directors adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year.

F. **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

G. **Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. **Net Assets/Fund Balances**

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into these categories, investment in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

## **2. DEPOSITS AND INVESTMENTS**

Deposits and investing for the District are governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

### **Deposits**

The District maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Income from the pooled cash is allocated based on each fund's portion of the pool. In addition, investments are separately held by the capital projects and special revenue funds.

### ***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2006, the District's bank balance of cash on deposit was zero and of this amount zero was insured.

### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

## 2. DEPOSITS AND INVESTMENTS (Continued)

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Carrying Amount and Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
Primary government:					
<u>Debt securities</u>					
Repurchase Agreements	\$ 522,801	\$ 522,801			
		\$ 522,801	\$ ...	\$ ...	\$ ...
<u>Other Investments</u>					
Investments in Utah Public					
Treasurer's Investment Pool	<u>1,267,505</u>				
Total Investments, primary government	<u>\$ 1,790,306</u>				

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates by complying with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk by complying with the State's Money Management Act as previously discussed.

## 2. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2006, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Primary government:					
<u>Debt Securities</u>					
Repurchase agreements	\$ 522,801				\$ 522,801
<u>Other Investments</u>					
Investments in Utah Public					
Treasurer's Investment Pool	1,267,505				1,267,505
Total, primary government	\$ 1,790,306	\$ ...	\$ ...	\$ ...	\$ 1,790,306

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

### *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, the District had \$1,267,505 invested in the Public Treasurer's Investment Fund and was held by them.

The District's investments at December 31, 2006 were held by the District or in the District's name by the District's custodial banks except for repurchase agreements with qualified depositories totally \$522,801 where the underlying securities were uninsured and held by the investment's counterparty, not in the name of the District.

3. **BUDGET COMPLIANCE**

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - discloses budgetary compliance on a functional level as required by generally accepted accounting principles. Utah State law requires that budgetary compliance be measured on a fund level. During the year ended December 31, 2006, the District had an unfavorable variance of \$46 in the Highways and public improvements in the General Fund.

4. **RESERVED/RESTRICTED FUND BALANCE**

Reserved fund balances and restricted net assets at December 31, 2006 in the Capital Projects Fund and Special Revenue Funds have been reserved and restricted for the improvements to the Browns Park Road and the Birch Creek Road as follows:

	Reserved Fund Balance	Restricted Net Assets
Capital Projects Fund	\$ 533,171	\$ 533,171
Special Revenue Fund	826,462	923,836
	<u>\$ 1,359,633</u>	<u>\$ 1,457,007</u>

5. **RELATED PARTY TRANSACTIONS**

The District does not have any related party transactions for the year 2006, nor are any individuals or companies deemed to be a related party.

6. **RETIREMENT**

The District did not participate in a retirement plan as of December 31, 2006.

7. **PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to the government-wide financial statements in the Statement of Activities. The adjustment was made to properly reflect mineral lease money, which was collected in 2006 and applied to the year ended December 31, 2005.

8. **SUBSEQUENT EVENTS**

On December 7, 2006, the Permanent Community Impact Fund Board authorized a \$4,690,000 grant and a \$500,000 loan to the District for the construction of road improvements including the paving and installation of improvements to the Browns Park road. The bond closing will occur when the District completes the process of changing their name to Flaming Gorge Road and Transportation Special Service District and their boundaries.

9. **INTERFUND TRANSFERS**

The District transferred \$20,000 out of the General fund and \$418,500 out of the Special Revenue fund for a total of \$438,500 into their Capital Projects fund. The purpose of these transfers is to set aside funding for the construction of road improvements including the paving and installation of improvements to the Browns Park road.

**DAGGETT COUNTY ROADS & TRANSPORTATION  
SPECIAL SERVICE DISTRICT  
(A COMPONENT UNIT OF DAGGETT COUNTY)  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	GENERAL FUND			VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET AMOUNT	FINAL BUDGET AMOUNT	ACTUAL AMOUNTS	
<b>REVENUES:</b>				
Payment in lieu of taxes	\$ 26,000	\$ 27,026	\$ 27,026	
Miscellaneous income			255	\$ 255
Interest Income	20,000	13,000	13,106	106
 Total revenues	 \$ 46,000	 \$ 40,026	 \$ 40,387	 \$ 361
<b>EXPENDITURES:</b>				
Highways and public improvements	\$ 6,000	\$ 9,000	\$ 9,046	\$ (46)
 Total expenditures	 \$ 6,000	 \$ 9,000	 \$ 9,046	 \$ (46)
 Excess of revenues over (under) expenditures	 \$ 40,000	 \$ 31,026	 \$ 31,341	 \$ 315
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	\$ (40,000)	\$ (20,000)	\$ (20,000)	\$ ...
 Excess of revenues and other sources over (under) expenditures and other uses		\$ 11,026	\$ 11,341	\$ 315
 Fund balances - beginning of year				
 Fund balances - end of year	 \$ ...	 \$ 11,026	 \$ 11,341	 \$ 315

**DAGGETT COUNTY ROADS & TRANSPORTATION**  
**SPECIAL SERVICE DISTRICT**  
**(A COMPONENT UNIT OF DAGGETT COUNTY)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	SPECIAL REVENUE FUND			VARIANCE WITH BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET AMOUNT	FINAL BUDGET AMOUNT	ACTUAL AMOUNTS	
<b>REVENUES:</b>				
Mineral lease	\$ 300,000	\$ 396,000	\$ 468,042	\$ 72,042
Interest Income		22,500	35,589	13,089
Total revenues	\$ 300,000	\$ 418,500	\$ 503,631	\$ 85,131
<b>EXPENDITURES:</b>				
Highways and public improvements				
Total expenditures	\$ ...	\$ ...	\$ ...	\$ ...
Excess of revenues over (under) expenditures	\$ 300,000	\$ 418,500	\$ 503,631	\$ 85,131
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	\$ (300,000)	\$ (418,500)	\$ (418,500)	\$ ...
Excess of revenues and other sources over (under) expenditures and other uses			\$ 85,131	\$ 85,131
Fund balances - beginning of year	\$ 803,995	\$ 803,995	803,995	803,995
Fund balances - end of year	\$ 803,995	\$ 803,995	\$ 889,126	\$ 889,126

# SMUIN, RICH & MARSING

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MEMBERS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Daggett County Roads & Transportation  
Special Service District  
Manila, Utah 84046

RE: Report on Compliance and on Internal  
Control Over Financial Reporting Based  
on an Audit of Financial Statements  
Performed in Accordance With Government  
Auditing Standards

We have audited the financial statements of Daggett County Roads & Transportation Special Service District as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

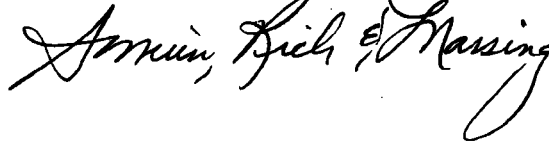
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the District in a separate letter dated June 29, 2007.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Armin, Rich & Marsing", written over the printed firm name.

Price, Utah

June 29, 2007

**SMUIN, RICH & MARSING**

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**MEMBERS**

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Daggett County Roads & Transportation  
Special Service District  
Manila, Utah 84046

Re: Report on Legal Compliance with Applicable  
Utah State Laws and Regulations

We have audited the accompanying financial statements of the governmental activities and each major fund of Daggett County Roads & Transportation Special Service District for the year ended December 31, 2006, and have issued our report thereon dated June 29, 2007.

As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The District received the following major State assistance program from the State of Utah:

**Mineral Lease Funds (Department of Transportation)**

The District did not receive any non-major state grants during the year ended December 31, 2006.

Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Purchasing Requirements  
Special Districts

Cash Management  
Budgetary Compliance  
Other Compliance Requirements

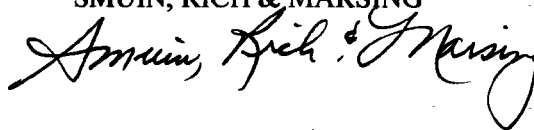
The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Daggett County Roads & Transportation Special Service District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended December 31, 2006.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing", written in dark ink.

Price, Utah

June 29, 2007

# SMUIN, RICH & MARSING

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Board of Directors  
Daggett County Roads & Transportation  
Special Service District  
Manila, Utah 84046

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Daggett County Roads & Transportation Special Service District for the year ended December 31, 2006.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all-inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

## **TREASURER'S BOND**

The State of Utah requires every public treasurer to secure a fidelity bond for an amount that is a certain percentage of it's prior years budgeted gross revenues. This is according to Utah Code 51-7-15 and Rule 4 of the Utah Money Management Council. We have calculated the amount that is required for the fidelity bond and the District is not bonded for an adequate amount.

The amount of the bond for the District should have been at least \$32,648 but it appears that the District wrote a check for a treasurer's bond in August 2006, however the check was never cashed, therefore it could not be determined if the District actually has a bond. For the year ending December 31, 2007, the District should be bonded for 8% of the total budgeted revenues of all funds handled by the District for the year ended December 31, 2006, which would require a bond in the amount of \$38,682.

We recommend the District comply with State Law and obtain a fidelity bond in the amount required to meet the levels required by the State of Utah.

**District Response** – The District will review State law with regards to requirements for fidelity bonds and do what is necessary to comply with State law.

## **BUDGETARY COMPLIANCE**

Utah law prohibits officers and employees of Districts to incur expenditures or encumbrances in excess of the total appropriations for budgets of the District. The District has overspent the following fund in the current fiscal year:

General Fund	
Highways and public improvements	(\$ 46)

## **BUDGETARY COMPLIANCE (Continued)**

We recommend the District review the expenditures and encumbrances made, and compare against the adopted budgets, to determine if the budgets of the District are being overspent. District personnel need to evaluate the expenditures of the District to ensure that budgets are not being over spent.

**District Response** – The District will review State law with regards to budgetary compliance requirements and do what is necessary to comply with State law.

## **DEPOSIT REQUIREMENTS**

Utah Code 51-4-2(2) states that "All public funds shall be deposited daily, whenever practicable, but not later than three days after receipt." During the audit of the financial statements for the year ended December 31, 2006, we found the District had not complied in some instances with the three-day deposit rule. We noted a check from the Division of Finance dated December 6, 2006, which was not deposited until January 24, 2007 and another check from the Division of Finance dated August 16, 2006, but was not deposited until January 29, 2007.

We recommend that management review the requirements for depositing public funds with employees responsible for depositing money received by the District. We also recommend the District implement the procedures necessary to make sure that District employees comply with this requirement. To make sure procedures are followed, the District may need to monitor how procedures are being applied.

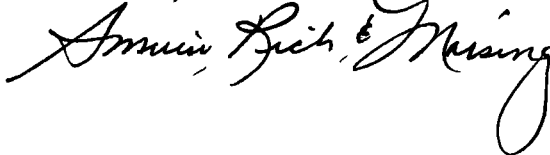
**District Response** – The District will review State law with regards to deposit requirements and do what is necessary to comply with State law.

## **SUMMARY**

We feel the State Compliance issues mentioned above are areas where the District can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Ammin Rich & Marsing", written in dark ink.

Price, Utah

June 29, 2007